

ORDER NO. 3538

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton; and
Tony Hammond

Competitive Product Prices
Priority Mail Contract 130 (MC2015-64)
Negotiated Service Agreement

Docket No. CP2015-95

ORDER APPROVING AMENDMENT TO
PRIORITY MAIL NEGOTIATED SERVICE AGREEMENT

(Issued September 26, 2016)

I. INTRODUCTION

The Postal Service seeks to amend Priority Mail Contract 130.¹ For the reasons discussed below, the Commission approves the Amendment.

¹ Notice of United States Postal Service of Amendment to Priority Mail Contract 130, with Portions Filed Under Seal, September 23, 2016 (Notice). The amendment is an attachment to the Notice (Amendment).

In Order No. 2595, the Commission approved the Priority Mail Contract 130 negotiated service agreement (Agreement).² On September 23, 2016, the Postal Service filed notice that it has agreed to a further amendment to the Agreement.

The Postal Service intends for the Amendment to become effective two business days following the day that the Commission completes its review. Notice at 1. The Postal Service asserts that the Amendment will not affect the cost coverage of the Agreement, as previously amended, and that the financial documentation and financial certification initially filed in this docket remain applicable. *Id.*

II. COMMISSION ANALYSIS

The Commission has reviewed the Notice and the accompanying materials filed under seal.

Cost considerations. The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment modifies the customer name listed in the Agreement, as amended, to reflect the customer's new company name. Amendment at 1.

The Amendment does not materially affect the underlying financial analysis of the Agreement, as previously amended. Thus, the Commission finds that the Agreement,

² See Docket Nos. MC2015-64 and CP2015-95, Order Adding Priority Mail Contract 130 to the Competitive Product List, July 17, 2015 (Order No. 2595). The contract was later amended. See Order No. 2795, Order Approving Amendment to Priority Mail Negotiated Service Agreement, November 2, 2015; see also Order No. 3388, Order Approving Amendment to Priority Mail Negotiated Service Agreement, June 27, 2016.

as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

Other considerations. The Postal Service states that the Amendment shall become effective two business days following the day that the Commission completes its review. Notice at 1. The Agreement, as amended, is set to expire three years after the initial effective date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.³

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

In conclusion, the Commission approves the Amendment to Priority Mail Contract 130.

III. ORDERING PARAGRAPHS

It is ordered:

1. The Commission approves the Amendment to Priority Mail Contract 130 effective September 28, 2016.
2. The Postal Service shall notify the Commission if the Agreement, as amended, terminates prior to the scheduled expiration date.

By the Commission.

Ruth Ann Abrams
Acting Secretary

³ Order No. 2595 at 5-6. Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.